TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

# CORRECTED FISCAL NOTE

# SB 699 - HB 744

April 21, 2015

**SUMMARY OF BILL:** Prohibits any person, upon a third or subsequent conviction for DUI, from purchasing alcoholic beverages. Any court in which a conviction for an offender's third or subsequent DUI occurs will be required to forward a copy of the conviction to the Department of Safety. When the department issues a photo ID license or driver license to a person for whom the department has received notice of a third or subsequent conviction for DUI, the department will be required to imprint the person's license with the words "NO ALCOHOL SALES." The cost of issuing the specially designated licenses will be paid by the offenders in the form of an issuance fee that the department will establish by rule.

## ESTIMATED FISCAL IMPACT:

On March 10, 2015, a fiscal note for this bill was issued with the following estimated impact:

*Increase State Revenue - Exceeds $10,800/FY15-16 and beyond*

*Increase State Expenditures - Exceeds $90,000/One-Time*

Based on additional analysis, the fiscal impact is being corrected to address the methodology from which the cost of the bill will be recaptured. The corrected fiscal impact is as follows:

**(CORRECTED)**
**Increase State Revenue – Exceeds $90,000/One-Time**

**Increase State Expenditures - Exceeds $90,000/One-Time**

**Other Fiscal Impact – The one-time increase in state expenditures will occur in FY15-16; however, the one-time increase in state revenue will be realized over an unknown, extended period of time based on the cost recovery period and fee set by the Department of Safety. Over time, it is anticipated that full one-time costs associated with implementation will be recovered. For example, if the cost recovery period is one year, then the fee would need to be about $100 per license of affected drivers. If instead the cost recovery period is ten years, then the fee would need to be about $12 per license of affected drivers.**

Corrected Assumptions:

- The Alcoholic Beverage Commission confirms this bill will have no fiscal impact on departmental operations.
- Any impact to retail sales of alcohol is considered not significant.
- The County Technical Advisory Service (CTAS) confirms this bill will have no fiscal impact on local operations.
- The Department of Safety (DOS) will incur expenses to develop, manufacture, and issue new license cards with the imprinted words "NO ALCOHOL SALES." Based on information provided by the department, the one-time increase in state expenditures is reasonably estimated to exceed $90,000.
- DOS will develop a fee structure to cover the cost to develop, manufacture, and issue new license cards with the imprinted words "NO ALCOHOL SALES." Any fee structure adopted by DOS is assumed to cover all costs incurred for system modifications.
- Based on information provided by DOS, an estimated 900 third or subsequent DUI convictions are estimated each year.
- If, by rule, DOS sets a fee to recover the $90,000 cost over the first year then the additional fee would have to be $100 per "NO ALCOHOL SALES" license to provide full cost recovery. Assuming further that this fee is $100 per license, the estimated additional revenue from 900 "NO ALCOHOL SALES" ID cards/driver's licenses is $90,000 (900 x $100 per card).
- If, by rule, DOS sets a fee to recover the $90,000 cost over a (10) year period that additional fee would have to be $11.85 per "NO ALCOHOL SALES" license to provide full cost recovery at a reasonable 4% cost of capital rate. Assuming further that this fee is rounded up to $12 per license to simplify those transactions, the estimated additional revenue from 900 "NO ALCOHOL SALES" ID cards/driver's licenses each year is $10,800 (900 x minimum $12 per card).
- Over time, all state expenditures associated with the bill are anticipated to be recovered by the additional fee revenue.
- FY15-16 and beyond, DOS's established fee system will offset any expenditures related to the bill.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding, Executive Director

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